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ABSTRACT

William Ouchi's Theory Z, a theory that focuses on the identification of both management and labor with the company's goals, emphasizes communication structures and styles. Ringi is a Japanese procedure for decision making in which all levels of management participate. In Ringi, a manager's task is to communicate. In quality control (Q-C) circles, the foreman plays the manager's role, acting as coordinator and communicator to help the Q-C circle share ideas and reach consensus. Q-C circles also encourage employee identification with the company. Ringi and Q-C circles demonstrate the cooperative, transcendent nature of the Japanese. In order to build an American Theory Z company, Ouchi advises that the company develop a coherent philosophy through employee discussion and then integrate that philosophy in the daily work of the company. Management and production workers can develop the requisite communication and coordination skills through training and education programs. Serious commitment by top management to delegate decision making powers to discussion groups will yield cohesion and employee identification with the company itself. American Theory Z companies cannot work in a vacuum: they must overcome the adversary relationship between management and labor and discover common ground in their culture, community, and company. (JL)

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Theory Z: Panacea or Placebo?

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Introduction

American managers are looking for some new strategies to solve their problems with the cost and productivity of labor. Traditional incentives like money and fringe benefits no longer seem to motivate high productivity. Management has had to use short term rewards in response to labor's short term goals, leading both groups into a situation with no long term goals that benefit both. You could expect that labor and management would want to plan a future where both could survive and prosper. But American management seems able only to fight the demands of labor with threats of economic chaos. Closing the factory in order to thwart a union stops the escalation of wages and benefits at a cost that is nothing short of genocide.

American managers will have to find a way to contain labor's demands without destroying the companies in the process. Traditional carrot and stick attitudes need to be supplanted by a different management philosophy, a management perspective that improves the relationship between the workers and the bosses. With a will to learn born of desperation, Americans business theorists now turn to the East for insight. How have our Japanese competitors managed their labor to develop and maintain such high productivity?

William Ouchi's recent book, Theory Z, (1981) offers managers another strategy for improving relations with labor. Theory Z focuses on the identification of both management

and labor with the company's goals. These employees aren't living for the company, they are the company, linked permanantly to a corporate identity. Not all American companies can use Theory Z, since such a strong identification between the company and the worker calls for sustained employment. But those working in terms of Theory Z will need to communicate with ideas and skills specifically designed to implement Theory Z concepts. This management theory, like many others, emphasizes communication structures and styles.

A Communication Perspective

Problems in business are often related to communication problems within the organization. The relationships that constitute business interaction depend on communication skills for success. The communication disorder may be a result of an inadequate formal communication structure. For example, a company with an extensive vertical structure may find that information distorts as it travels the formal channels. Middle managers in separate hierarchies may have trouble getting accurate information to each other if it must go up to a supervisor before coming back down through the other hierarchy's channels. Informal communication within the company may compensate for this problem by personal connections between middle managers who need to know exactly what each is doing. But informal communication is

at best an adaptation for survival. The informal network may get the job done, but perhaps at the expense of larger or long term corporate goals.

Management theorists may deal with communication in terms of accurate information handling, pointing out the need for lateral connections within the company via information processing systems. Or manager's with labor problems may be told that better communication with their company's employees is essential for job satisfaction and higher productivity. Weber's theory (1910) of bureaucracy called for formal communication channels throughout the bureaucratic hierarchy. Weber planned these channels according to the needs of the company, disregarding personal interaction that was not accounted for by the requirements of each job description. Many managers must still work within this type of rigid formal structure coded as a Theory X perspective by McGregor (1960). Mcgregor recognised the power and utility of informal communication networks, making the managers' capacity for personal relationships into a tool for Theory Y managers. According to both these management theories, communication networks are the basic reinforcement for corporate structures, however vertical or horizontal.

Now we are faced with William Ouchi's management theory, a Japanese-American hybrid. What use can communication be to this theory? How can a manager select appropriate communication strategies to implement and maintain Theory Z policies? Before we can address these questions, we should con-

sider Theory Z in terms of existing management theories. The actual value of Theory Z can be most readily appreciated if we can connect it to its theoretical roots.

A Practical Definition of Theory Z

First of all, what does Ouchi propose to do for American business? His stated research objective was to separate the characteristics of Japanese companies into two sets of factors, the culturally specific characteristics and the universally applicable characteristics (p. viii, 1981). The Japanese' transferrable characteristics become a universally applicable management theory, Theory Z. If this was truly a universal management theory, then Ouchi expected to find the Japanese ideas already used by some American companies. He reports his happiness in finding that the American version of the Japanese type did exist, and that these "feeder companies" are highly regarded for their common ability to train large numbers of effective managers (p. 69). The Japanese type does reflect fundamental Japanese attitudes like the belief that "the individual does not matter" (p. 65). While American beliefs may not be similar to this concept, the principles laid down by Weber are now equally foreign. Contemporary American life has little in common with Austria at the turn of the century. Thus the changes on our society's needs and goals has produced an equal change in

the attitudes and motivations of America's workers. Considering the current American social and economic situation, Japanese values may now be more appropriate than Viennese.

Ouchi's main goal is to change the attitudes of workers, creating closer relationships between people and between people and their jobs. Ouchi sees the typical American job cycle as a series of short term goals, a situation where hiring and firing lowers the chance that an employee can ever identify with a company (pp. 60-61). Instead, people seek standardized roles that allow them to fit into many different companies. This impersonal role-taking leads to management coordination that is short-term, distant, and formalized by lack of personal involvement. Ouchi contrasts this type of American situation with the Japanese type of integrated coordination that used personal involvement to create intimacy among those working through to long term goals. The managers who can elicit personal committments from their workers are likely to have higher productivity as a result of improvements in employees' relationship with the company.

A Theory Z Procedure for Problem Solving by Management

Japanese companies plan their management strategies to involve their employees in the corporate identity by asking

them to participate in group decision making. Both management and labor solve problems with group decision making. These decision making techniques are easy to misunderstand if you take a supervisor's perspective. The parental function of the large Japanese companies tempts us to regard them as families, especially since the companies educate, house, and care for their workers, often for their entire lives. We think such paternalism is bound to be rewarded by loyalty and productivity. But are Japanese workers really children? Are their managers their parents? The relationship is much more complex, encompassing the problems and needs of adult society. Japanese management policies impinge equally on managers and workers alike. Both groups participate in living out their company's philosophy. An American expectation that somehow workers can be made into docile children misses the main point of Japanese management philosophy.

The main principle of problem solving in Japanese management is to share the job's responsibilities and rewards among all the organization's members. Not just an extended form of profit sharing, Japanese corporate decision making asks the people most concerned with the problem to solve it. The locus of decision making is flexible, determined by the situation and the problem itself.

An example of decision making on the management level is Ringi. (Johnston, 1981, p. 16) Ringi is a procedure for decision making in which all levels of of management partici-

pate. First, top management chooses a junior executive to look at ways to solve a problem. The junior executive asks everyone concerned for their opinions. Johnston has noted that the choice of "appropriate people" to begin the Ringi process is itself strategic, since different answers often come with different starting points.

The second stage of Ringi calls for both formal and informal discussion of everyone's views. Strong disagreements are handled in the informal, face-to-face discussions. Participants discuss three aspects of the problem, talking about their opinions, the facts of the problem, and the philosophy of each possible answer. Johnston emphasizes that this extended discussion allows the eventual decision to be implemented quickly since "when a decision is reached, all the staff work has been done, everyone involved knows what he or she must do, everyone has agreed to do it, and the execution can then proceed quickly" (p. 16).

At this point, the decision has been made, but must still be authorized by everyone involved. The third stage in Ringi transforms the discussants' decision into a formal, written document, a Ringisho. Once the Ringisho has been prepared, it must be circulated to all concerned, each stamping it with a personal seal. Johnston notes that "there is no space on the decision form to indicate disapproval" (p. 16). There is rarely any dispute at this point, since the previous discussions had been extended until true consensus was reached. After the president's seal, the Rin-

gi's decision can be implemented with no further delay.

This type of cooperative decision making calls for communication across organizational barriers. The homogeneity of the Japanese culture minimizes cultural barriers to effective communication. The Japanese company, itself a unifying common interest and activity, encourages communication between labor and management by educating these groups to share two beliefs: (1) that cooperative problem solving is in their mutual interests and (2) that each decision making group has enough in common to productively follow decision making procedures.

The Manager's Role in Ringi

Johnston describes several aspects of Japanese business that make cooperative problem solving possible (p. 18). There are no written job descriptions to keep workers from trying to help each other. This natural desire to be involved with important decisions is encouraged by Japanese managers, who are often generalists selected for their abilities to facilitate cooperation. The manager is the key to cooperative problem solving like Ringi. According to Johnston, " a manager acts as a symbol of unification with the Japanese company and assumes a role of coordinator as well as communicator. As a coordinator, he has to be guided by his subordinates rather than direct them; he will ask them

what he can do for them more often than he tells them what to do. He acts as a communicator between the subordinate and top management, between people in different departments, and between his own people and people outside the company." (p. 18) This type of manager is the person who makes Ringi work. Bringing everyone into discussion of opinions and philosophy as well as apparent facts, he must be able to facillitate participation.

R. T. Pascale has shown that this type of manager is involved in 30 percent more face-to face communication than an American manager. (1978, p. 2) Pascale also reports that this increased contact stimulated more communication from lower ranked employees to their supervisors, often a rare occurance in an American company. Since more people had been involved in Ringi and other decision making techniques, decisions were more widely accepted, more often judged to be of high quality, and more likely to be successfully implemented. Johnston sums up the overall effects of Ringi by stating that "a decentralised, decision-delegating system results in more job satisfaction, commitment, self-esteem, and productivity in Japan" (p. 18).

A Japanese company with a cooperative, responsible workforce can expect high quality results from participative decision making. As long as management and labor follow the protocols set up by the company to solve problems, interaction between different levels in the organization should be orderly, fruitful, and satisfying, as in Ringi. But Ameri-

can management and labor must overcome a tradition of prejudice and antagonism to solve any problem. The adversary relationship between unions and management has compounded the class distinctions between these two cultural groups. Joint discussion is already under the jurisdiction of union rules and the precedents taken from labor disputes. The American experience has produced strong cultural differences between labor and management that almost preclude cooperation.

Problem Solving at the Production Level

Management has Ringi procedures to involve many levels of executives in decision making. Production workers are taken into problem solving through participation in Quality Control Circles (Ouchi, p. 260). Q-C Circles are a flexible format for discussion and problem solving. Ouchi reports

> In Japan a Q-C Circle typically consists of from two to ten employees who are permanently assigned to that circle. All employees (temporary, part-time, and employees at all levels) are encouraged to participate. Each circle's employees form a natural working group in which everyone's work is related in some way. In the larger scheme, individual circles are related to one another through

> 'Q-C Circle'- temporary federations of a number of Q-C Circles within a plant, formed for the purpose of working on one specific project. The task of each Q-C Circle, headed by a foreman, is to study any problems of production or service that fall within the scope of its work. In most cases, a circle undertakes a study project that can be solved within about three months, and which should take no longer than six months" (p. 262).

In this type of problem solving setting, common ground for discussion would be provided by the relationship between members' jobs. Such a practical basis for discussion could reduce personal disagreements by focusing on the problem and not on personalities. The foreman plays the manager's role here, acting as a coordinator and communicator to help the Q-C Circle share ideas and reach consensus.

A Q-C Circle follows a simple, adaptable procedure. Ouchi tells us that a group meets one or two hours a week, either on personal or company time. The group problem solving process starts with someone suggesting a problem for study. After accepting the problem, the group studies the problem from several perspectives, each member covering that part of the problem as it occurs in his own production experience. After the problem has been specified, members offer solutions. If possible, members implement their solutions in their daily work. If the problem goes beyond their

immediate jobs, the circle asks management to implement their solution.

The final stage of the Q-C Circle's problem solving comes after a solution has been found and put into effect. Ouchi reports that "the results of the study are published in the plant newsletter; recognition of successful implementation is given to that circle, and if it is a particularly innovative or important solution, it will be nominated for a company, industry, or even national award. The company will report to its employees the collective impact of all the implemented suggestions, so that everyone will see the relationship between their successful work and the profits of the company and the size of their bonuses" (p. 263). Q-C Circles started with the idea that production efficiency could be increased by statistical analysis of production techniques. The additional Japanese ingredient came from a desire to share responsibility and rewards for this analysis with production workers. The human side of productivity was added to classic measures of efficiency.

Thus a Q-C Circle is intended to solve problems, but also should: "contribute to the improvement and development of the enterprise; respect humanity and build a happy bright workshop which is meaningful to work in; and display human capabilities fully and eventually draw out infinite possibilities." (p. 265) This type of sensitivity to human needs for involvement opens up a hitherto untapped source of creativity and knowledge. The capabilities of labor to do a job

is only the beginning of their potential worth to the company. Channelling the expertise and experience of production workers into company decision making uses their intimate knowledge of production processes to improve the efficiency of the company.

But more important, involving production workers in decision making gives them a stake in the future of the enterprise. With that involvement comes commitment to the long term goals of the company and a desire to improve their own condition along with the company itself. Here is one source of the workers' identification with the company, the beginning of their feeling that, since they have some say in the company's future, they are working for corporate goals.

The Transcendent Nature of the Japanese

Procedures like Ringi and Q-C Circles demonstrate the cooperative nature of the Japanese. To better understand Theory Z and its liklihood of being implemented in America, we must also understand something of the Japanese attitude toward organizations. When describing a company as Theory Z, Ouchi uses a term originated by Abraham Mazlow in his book, The Farther Reaches of Human Nature. (1971, pp. 280-295) People acting out their corporate lives are operating on a highly cooperative level of need gratification. Mazlow calls the members of a Theory Z organization tran-

scendent self-actualizers. These people have moved conceptually through self-actualization (Theory Y) to identify with a larger level of existence, a condition of being far greater than the individual. The Japanese worker and manager both identify with the company and its philosophy on that transcendent level. No wonder the Japanese are satisfied with Ringi and Q-C Circles. Here are ways to act out their identification with the company, strengthening both themselves and the company in the process.

In these problem solving procedures, the transcendent self-actualized employee can meet the needs of the company and himself simultaneously. The self-gratification that would be a selfish act for an American worker is just as gratifying to a Japanese worker without harming the company's profits or productivity. Working toward company goals is fulfilling for the Japanese in the same way that working for themselves is for American executives and labor.

Working to Build a Theory Z Company

How does this transcendent self-actualized perspective influence a company's identity? Ouchi advises a company to develop a corporate philosophy through debate and discussion of three key topics (pp. 133-134). Employees should develop a corporate philosophy that rationalizes 1) the organization's objectives, 2) the company's operating procedures,

and 3) the constraints on the company's conduct. The philosophical principles come from two sources, an idealized leader who might write a book about his successful philosophy of work and life, and from discussion by employees. The company's members should consider the best ways: "to serve as the consumers' purchasing agent in fulfilling their needs and expectations for merchandise and services, to contribute to the personal and professional development of our employees, to provide an attractive financial return to our shareholders, and to serve the community in which we operate" (p. 138). Once the philosophy has been agreed upon, the company can educate incoming employees through formal training programs and informal advice on how to be a Theory Z manager.

The corporate philosophy is integrated into the daily work of the company by applying the philosophy's precepts to every situation. The philosophy must be written out and distributed to both management and labor. As Ouchi states, "if an internally consistent, broad statement of corporate philosophy has been written down and widely distributed, all employees can refer to it in ambiguous situations" (p. 140). The philosophy is thereby available as the basis for discussions and decision making.

The manager in an American Theory Z company should be able to coordinate discussion among those effected by a problem, encouraging participation and seeking consensus. Such skills can be taught in training programs, especially if incoming managers are selected for these abilities. At

the production level, new employees can be formally oriented to the corporate philosophy. But a Theory Z company with low job turnover will also find its philosophy passed on informally by experienced production workers. The corporate philosophy will be regarded in time as one of the tools of production.

The communication skills required by managers and production workers can be developed through education programs. Procedures for problem solving and decision making are already well developed, some showing a remarkable similarity to Ringi and Q-C Circles. Both these procedures are analogous to Standard Agenda decision making processes. Standard Agenda is founded on the concepts of reflective thinking developed by John Dewey, and has evolved into a variety of training programs. Good examples can be seen in texts such as Gerald Phillips' Communication and the Small Group and Dalmar Fisher's Communication in Organization.

Standard Agenda skills combined with group discussion training should allow managers to coordinate group decision making processes. The cooperation essential to reaching consensus should come once participants realize that top management is serious about delegating their decision making powers to the discussion groups. On the production level, the same type of autonomy and authority is essential to motivate productions workers to try to solve their problems. Employees at all levels will feel that their efforts are being taken seriously if top management rewards them

promptly and publically for successful problem solving. Japanese practices like Ringi and Q-C Circles are not hard to adapt to American firms, provided top management also participates in whatever policies the corporate philosiophy advocates. Inconsistent adherence to the corporate philosophy will lead to a double standard for corporate behavior that would subvert the trust and cohesion of a sincere Theory Z company.

Cohesion between discussion group members on all levels is likely to lead to stronger identification with the company itself. After several successful problem solving experiences, a Q-C Circle or Ringi group will have developed a group identity based on common ground between members. If the problem solving group is observing the corporate philosophy, it will be dedicated to corporate goals. Here is the start of transcendent self-actualization. In real terms, the problem solving group is the expression of participants' identification with the corporate philosophy. Thus common ground built between members in problem solving continues to have influence after the immediate problem is resolved. Continual group membership maintains these relationships and the group's mutual awareness of corporate needs and objectives.

The formal and informal procedures used in such a group produce common ground in several ways. Cohesion is derived from mutual understandings and expectations of a protocol for relationships. The group interactions proceed according

to norms that each member negotiates with the others. New attitudes and behaviors are accepted if they lie within the range of appropriate behaviors. Unacceptable characteristics in new members are treated as a threat to the group, forcing minimal conformity or expulsion. The group may express its cohesion in statements about shared goals or a common enemy. But such overt signs of cohesion are confirmed by more subtle common ground such as common language usage, linguistic variations or idioms. Group members' shared expectations for how they can talk to each other is expressed within a range of appropriateness conditions for the format and content of their discussion. Thus the group's agreements on how to talk to each other are as important as the words themselves. All aspects of communication in the problem solving group evolve to develop and maintain group cohesion. The participants' commitment to the company grows out of this group orientation.

The Company, the Community, and Theory Z

Company policies in Japan are supported by Japanese cultural norms and government attitudes toward business and labor. In America, Theory Z companies must work for goals that are shared by few in our society. Common ground between the employees must be created by the company alone. To work together in the future, management and labor will have

to overcome their adversary relationship and discover common ground in their common institutions: culture, community, and company. Without these shared beliefs and goals, cooperation in work will not be internally motivated.

Without a transcendent self actualized drive to work for the company's good, externally motivated employees (both management and labor) can only be persuaded to resolve their disputes through threats of intervention by higher authorities like government agencies. Arbitration by an external force takes the decision out of their hands. The autonomy of the company and its desire for independent resolution of internal disputes is thereby compromised, giving both management and labor a sense of having little control over their problems and their lives. Continual need for outside arbitration of internal problems could lead to a habituated dependency on external authorities for decision making, a condition of government control ironically created by the company itself.

The private sector cannot create cultural common ground without the cooperation of public sector planners. Cooperation between both groups would produce a unified force for change in attitudes about the objectives of corporate enterprise. A following generation of management and labor, finding common ground in their corporate philosophy and work goals, may be able to extend that mutual understanding to social issues. The techniques for productive problem solving and group discussion are already available. What

remains is for American business to recignize the worth of cooperation between all the members of the business community, management and labor alike.

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